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Pentagon Says China Hold on Key Elements Is Risky

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WASHINGTON—A new Pentagon report to Congress puts the spotlight on the U.S. military's critical dependence on materials know as rare-earth metals and recommends alternatives to Chinese sources of supply.

The report, an annual assessment of the health of the U.S. military's manufacturing base, features a section that focuses on a potential Achilles' heel for the U.S. military: its reliance on rare-earth metals for manufacturing high-end weaponry.

At issue is a group of 17 elements with unique magnetic properties that are vital to 21st century consumer technology, found in everything from smart phones to hybrid car batteries.

The elements are also essential to modern warfare. High-end weapons such as precision-guided bombs and advanced fighter aircraft depend on components built with lightweight, rare-earth magnets, as do night-vision goggles and targeting lasers.

China produces more than 95% of the world's rare-earth oxides, and the country's near-monopoly in mining and processing them has raised alarms in Washington, particularly following Beijing's moves last year to impose export quotas on them.

"It is essential that a stable non-Chinese source of REO [rare earth oxides] be established so

that the U.S. RE supply chain is no longer solely dependent on China's RE exports," the report, made public Tuesday, states.

Last year, the Defense Department launched a comprehensive study to examine the potential national security vulnerabilities of U.S. rare-earth material dependency. That study has not been released to the public. But this latest report shows that the Pentagon has already launched an effort to identify U.S. companies that could process rare-earth oxides into metals. It also says defense agencies have studied the risk of potential supply disruptions.

The Pentagon report to Congress offers several concrete recommendations to reduce the military's vulnerability to interruptions in rare-earth supplies. Among other things, it recommends that a defense agency that oversees strategic stockpiles develop "risk mitigation strategies" for some elements, including dysprosium, yttrium, praseodymium and neodymium.

It also suggests that weapons manufacturing could take priority over commercial production in some cases. The Pentagon, it states, "should develop ...[a] communications plan so that throughout the industry it is understood that DoD [Defense Department] product applications are to receive higher priority and response than commercial product applications."

The report mirrors some of the recommendations forwarded by the Center for a New American Security, a centrist think tank with ties to the Obama administration. The center published a report this year urging the U.S. government to come to grips with the implications of China's hold over rare-earth supply. In recent congressional testimony, Christine Parthemore, the study's author, said China's dominance of rare-earth production gave it "incredible leverage over the rest of the world."

Will Rogers, a research associate at the think tank, said the Pentagon report sent a "good signal" to encourage development of new supply chains that are not dependent on China.

A next step, he said, might be to encourage military suppliers to disclose supply-chain issues or interruptions that they might encounter to the Defense Department, as part of their business with the military.

"It would be great if the companies were proactive about it, instead of being forced by DLA [the Defense Logistics Agency] to comply with contractual requirements to disclose their supply chain," he said.

Lawmakers are already taking note of the issue. This year, Rep. Mike Coffman (R., Colo.) introduced legislation to help spur U.S. production of rare earth metals.

"I think it's very positive that the Department of Defense has publicly acknowledged that there is a potential problem in our reliance on China," Rep. Coffman said.

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